

# Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	County	Type	MuniCode
Opinion Date	Audit Submitted	Fiscal Year	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified?
<input type="checkbox"/>	14. If not, what type of opinion is it? <input type="text"/>
<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/>
General Fund Expenditure:	<input type="text"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Last Name	Ten Digit License Number		
CPA Street Address	City	State	Zip Code	Telephone
CPA Firm Name	Unit's Street Address	City	Zip Code	



Garfield Charter Township  
Grand Traverse County  
Michigan

For the Year Ended  
December 31, 2007



# **GARFIELD CHARTER TOWNSHIP**

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# **GARFIELD CHARTER TOWNSHIP**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT**

June 26, 2008

Members of the Township Board  
Garfield Charter Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Garfield Charter Township**, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Garfield Charter Township**, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General and Fire Protection funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2008, on our consideration of **Garfield Charter Township's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considering in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Garfield Charter Township's** basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **MANAGEMENT DISCUSSION AND ANALYSIS LETTER**

As the Township Board of the Garfield Charter Township, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Garfield Charter Township for the fiscal year ended December 31, 2007.

### **Financial Highlights**

The assets of Garfield Charter Township exceeded its liabilities at the close of the most recent fiscal year by \$50,796,844. Of this amount, \$11,764,047 may be used to meet the township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$5,712,484 an increase of \$367,828 in comparison with the prior year. Approximately ninety one percent of the total amount, \$5,241,252 is available for spending at the township's discretion.

At the end of the current fiscal year, undesignated fund balance for the general fund was \$3,075,864, or eighty-seven percent of total general fund balance.

The Township's total long term debt decreased by \$956,622, or nine percent, during the current fiscal year. The key factor in this decrease is the paying off of sewer and water bonds and loans.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Garfield Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Township include: general government, public safety, road projects, sanitation, and recreation. The business-type activities of the Township include: building inspections and sewer and water system.

The government-wide financial statements can be found on pages 9-11 of this report.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Garfield Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Garfield Charter Township maintains twenty five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund, special revenue funds, debt service fund and capital projects fund. Budgetary comparison statements have been provided for the general fund and other governmental funds to demonstrate compliance with this budget.

**Proprietary funds:** Garfield Charter Township maintains a single proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its water and sewer activity.



Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Garfield Charter Township, assets exceeded liabilities by \$50,796,844 at the close of the most recent fiscal year.

By far the most significant portion of the Township's net assets, sixty nine percent reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Township's Net Assets					
	2007			2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Cur and Oth Assets	\$10,075,474	\$10,115,660	\$20,191,134	\$9,484,412	\$9,414,569	\$18,898,981
Capital Assets	\$7,091,158	\$38,124,982	\$45,216,140	\$7,193,249	\$37,312,106	\$44,505,355
Total Assets	\$17,166,632	\$48,240,642	\$65,407,274	\$16,677,661	\$46,726,675	\$63,404,336
Long-term Liab	\$2,077,010	\$8,072,000	\$10,149,010	\$2,483,632	\$8,622,000	\$11,105,632
Other Liabilities	\$4,362,990	\$98,430	\$4,461,420	\$4,110,913	\$67,146	\$4,178,059
Total Liabilities	\$6,440,000	\$8,170,430	\$14,610,430	\$6,594,545	\$8,689,146	\$15,283,691
Net Assets:						
InvestinCaplAssets	\$5,030,948	\$30,052,982	\$35,083,930	\$4,738,463	\$28,690,106	\$33,428,569
Restricted	\$2,165,388	\$1,783,479	\$3,948,867	\$1,953,789	\$1,528,544	\$3,482,333
Unrestricted	\$3,530,296	\$8,233,751	\$11,764,047	\$3,390,864	\$7,818,879	\$11,209,743
Total Net Assets	\$10,726,632	\$40,070,212	\$50,796,844	\$10,083,116	\$38,037,529	\$48,120,645

The balance of unrestricted net assets \$11,764,047 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the Township's net assets by \$643,516, accounting for six percent of the total growth in the net assets of the Township. Key elements of this increase are as follows: building, land, land improvements, and sound management tools.

	2007			2006		
	Governmental Activities	Business Activities	Total	Governmental Activities	Business Activities	Total
Program Revenues						
Charges for Services	\$318,060	\$4,319,094	\$4,637,154	\$416,423	\$6,586,930	\$7,003,353
Operating Grants & Cont	\$468	\$1,838,972	\$1,839,440	\$29,363	\$2,248,114	\$2,277,477
General Revenues						
Property Taxes	\$3,931,758	\$0	\$3,931,758	\$3,314,418	\$0	\$3,314,418
State Shared Revenues	\$967,565	\$0	\$967,565	\$961,354	\$0	\$961,354
Franchise Fees	\$0	\$0	\$0	\$0	\$0	\$0
Unrest Invest Earnings	\$392,469	\$441,737	\$834,206	\$337,641	\$334,229	\$671,870
Miscellaneous	\$0	\$0	\$0	\$280,000	\$0	\$280,000
Total Revenues	\$5,610,320	\$6,599,803	\$12,210,123	\$5,339,199	\$9,169,273	\$14,508,472
Program Expenses						
General Government	\$1,624,327	\$0	\$1,624,327	\$1,688,600	\$0	\$1,688,600
Legislative	\$344,699	\$0	\$344,699	\$238,966	\$0	\$238,966
Public Safety	\$2,473,437	\$4,567,120	\$7,040,557	\$2,232,650	\$4,632,782	\$6,865,432
Public Works	\$87,482	\$0	\$87,482	\$86,602	\$0	\$86,602
Health and Welfare	\$0	\$0	\$0	\$0	\$0	\$0
Recreation and Cultural	\$359,280	\$0	\$359,280	\$269,028	\$0	\$269,028
Interest on Long-Te Debt	\$77,579	\$0	\$77,579	\$101,664	\$0	\$101,664
Total Expenses	\$4,966,804	\$4,567,120	\$9,533,924	\$4,617,510	\$4,632,782	\$9,250,292
Change in Net Assets	\$643,516	\$2,032,683	\$2,676,199	\$721,689	\$4,536,491	\$5,258,180

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities: Business-type activities increased the Township's net assets by \$2,032,683, accounting for seventy six percent of the total growth in the Township's net assets. Key elements of this increase are as follows: water and sewer lines and sound management tools.

### **Financial Analysis of the Township's Funds**

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$ 5,721,484 an increase of \$ 367,828 in comparison with the prior year. Approximately ninety one percent of this total amount \$ 5,241,252 constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 3,075,864 and the total fund balance was \$ 3,547,096. Unreserved fund balance represents ninety nine percent of total general fund balance. The fund balance of the Township's general fund increased by \$127,386 during the current fiscal year. Key factors were as follows: sound management skills.

Proprietary funds: The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$8,233,751. The total growth in net assets was \$ 2,032,683. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

#### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$ 467,312 increase in appropriations and can be briefly summarized as follows: roads, depreciation, and employee retirement benefits.

### **Capital Asset and Debt Administration**

Capital assets: The Township's investment in capital assets for its governmental and business type activities as of December 31, 2007, amounts to \$ 45,216,139 (net of accumulated depreciation). This investment in capital assets includes: (land, buildings improvements, sewer and water systems, machinery and equipment, park facilities, etc). The total increase in the Township's investment in capital assets for the current fiscal year was ten percent.

Major capital asset events during the current fiscal year included the following: improvements to the park, new sewer and water lines and new roads.

Details of the Township's capital assets are continued in the notes to the financial statements on page 32-33.

Long-term debt: At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$ 10,132,209. This debt is backed by the full faith and credit of the government.

Additional information on the Township's long-term debt can be found in the notes on pages 34-36.

## **Economic Factors and Next Year's Budgets**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to decrease in the 2008 fiscal year. The Township's millage remained the same for general operating purposes. These factors were considered in preparing the Township's budget for the 2008 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$3,075,864. The Township has presented a balanced budget in the current fiscal year budget.

The Water and Sewer Fund rates were increased for the current budget year. These rate increases were necessary to finance the debt service and the ongoing water and sewer system improvements.

## **Requests for Information**

This financial report is designed to provide a general overview of Garfield Charter Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor, Treasurer, or Clerk, of Garfield Charter Township, 3848 Veterans Drive, Traverse City, Michigan 49684 or you phone us at 231-941-1620.

**GARFIELD CHARTER TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,273,263	\$ 7,102,447	\$ 11,375,710
Investments	1,260,631	2,256,357	3,516,988
Accounts receivable	4,511,565	717,877	5,229,442
Internal balances	6,902	(6,902)	-
Prepaid items and other assets	23,113	45,881	68,994
Non-depreciable capital assets	3,396,292	102,927	3,499,219
Capital assets, net of depreciation	3,694,866	38,022,055	41,716,921
<b>Total assets</b>	<b>17,166,632</b>	<b>48,240,642</b>	<b>65,407,274</b>
<b>Liabilities</b>			
Accounts payable	42,022	155,023	197,045
Accrued liabilities	2,804	-	2,804
Unearned revenue	4,318,164	-	4,318,164
Bond discounts	-	(56,593)	(56,593)
Noncurrent liabilities:			
Due within one year	413,133	575,000	988,133
Due in more than one year	1,663,877	7,497,000	9,160,877
<b>Total liabilities</b>	<b>6,440,000</b>	<b>8,170,430</b>	<b>14,610,430</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,030,948	30,052,982	35,083,930
Restricted for:			
Debt service	1,088,520	1,783,479	2,871,999
Other purposes	1,076,868	-	1,076,868
Unrestricted	3,530,296	8,233,751	11,764,047
<b>Total net assets</b>	<b>\$ 10,726,632</b>	<b>\$ 40,070,212</b>	<b>\$ 50,796,844</b>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
Legislative	\$ 344,699	\$ -	\$ -	\$ -	\$ (344,699)
General government	1,624,327	299,740	468	-	(1,324,119)
Public safety	2,473,437	-	-	-	(2,473,437)
Public works	87,482	18,320	-	-	(69,162)
Interest on debt	77,579	-	-	-	(77,579)
Recreation and culture	359,280	-	-	-	(359,280)
Total governmental activities	<u>4,966,804</u>	<u>318,060</u>	<u>468</u>	<u>-</u>	<u>(4,648,276)</u>
Business-type activities:					
Sewer and Water	<u>4,567,120</u>	<u>4,319,094</u>	<u>-</u>	<u>1,838,972</u>	<u>1,590,946</u>
Total primary government	<u>\$ 9,533,924</u>	<u>\$ 4,637,154</u>	<u>\$ 468</u>	<u>\$ 1,838,972</u>	<u>\$ (3,057,330)</u>

continued...

**GARFIELD CHARTER TOWNSHIP  
STATEMENT OF ACTIVITIES (CONCLUDED)  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Functions / Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (4,648,276)	\$ 1,590,946	\$ (3,057,330)
General revenues:			
Property taxes	3,931,758	-	3,931,758
State shared revenues	967,565	-	967,565
Unrestricted investment earnings	392,469	441,737	834,206
Total general revenues	5,291,792	441,737	5,733,529
Change in net assets	643,516	2,032,683	2,676,199
Net assets, beginning of year	10,083,116	38,037,529	48,120,645
Net assets, end of year	\$ 10,726,632	\$ 40,070,212	\$ 50,796,844

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	General	Fire Protection	Other Governmental Funds	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 2,851,367	\$ 568,262	\$ 853,634	\$ 4,273,263
Investments	347,454	411,302	501,875	1,260,631
Receivables:				
Current and delinquent property taxes	2,003,854	1,275,104	704,057	3,983,015
Special assessments	-	-	24,765	24,765
Accounts (net of allowance for doubtful accounts)	205,930	-	-	205,930
Interest	-	-	161	161
Due from other funds	307,573	-	-	307,573
Prepaid expenditures	23,113	-	-	23,113
<u>Total Assets</u>	<u>\$ 5,739,291</u>	<u>\$ 2,254,668</u>	<u>\$ 2,084,492</u>	<u>\$ 10,078,451</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 33,948	\$ 8,073	\$ -	\$ 42,021
Accrued liabilities	2,804	-	-	2,804
Due to other funds	-	-	2,978	2,978
Deferred revenue	2,155,443	1,378,152	784,569	4,318,164
Total liabilities	2,192,195	1,386,225	787,547	4,365,967
Fund balances:				
Reserved for:				
Prepaid expenditures	23,113	-	-	23,113
Unreserved:				
Designated				
Future land purchases	111,689	-	-	111,689
Cable vision royalties	336,430	-	-	336,430
Undesignated - Major funds	3,075,864	868,443	-	3,944,307
Undesignated - Nonmajor special revenue funds	-	-	208,425	208,425
Undesignated - Nonmajor debt service funds	-	-	1,088,520	1,088,520
Total fund balances	3,547,096	868,443	1,296,945	5,712,484
<u>Total Liabilities and Fund Balances</u>	<u>\$ 5,739,291</u>	<u>\$ 2,254,668</u>	<u>\$ 2,084,492</u>	<u>\$ 10,078,451</u>

The accompanying notes are an integral part of these financial statements.



**GARFIELD CHARTER TOWNSHIP  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

Fund balances - total governmental funds	\$ 5,712,484
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	8,621,541
Subtract: accumulated depreciation	(1,530,383)

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: compensated absences	(16,801)
Subtract: long-term liabilities	<u>(2,060,209)</u>

Net assets of governmental activities	<u><u>\$ 10,726,632</u></u>
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The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Fire Protection	Other Governmental Funds	Total
Revenues				
Property taxes	\$ 2,003,402	\$ 1,220,865	\$ 704,392	\$ 3,928,659
Licenses and permits	108,735	-	-	108,735
Intergovernmental	968,033	-	-	968,033
Charges for services	6,579	-	28,219	34,798
Interest and rent	460,844	65,135	43,904	569,883
Other revenue	-	-	212	212
Total revenues	3,547,593	1,286,000	776,727	5,610,320
Expenditures				
Current:				
General government	1,017,856	-	-	1,017,856
Public safety	1,306,970	1,292,745	-	2,599,715
Health and welfare	153,661	-	-	153,661
Public works	69,679	-	17,803	87,482
Recreation and cultural	-	-	140,489	140,489
Other	684,448	-	-	684,448
Capital outlay	23,288	-	92,240	115,528
Debt service				
Principal	-	-	394,577	394,577
Interest expense	-	-	77,579	77,579
Total expenditures	3,255,902	1,292,745	722,688	5,271,335
Revenues over (under) expenditures	291,691	(6,745)	54,039	338,985
Other financing sources (uses)				
Transfers in	-	-	164,305	164,305
Transfers (out)	(164,305)	-	-	(164,305)
Total other financing sources (uses)	(164,305)	-	164,305	-
Net change in fund balance	127,386	(6,745)	218,344	338,985
Fund balances, beginning of year	3,419,710	875,188	1,078,601	5,373,499
Fund balances, end of year	\$ 3,547,096	\$ 868,443	\$ 1,296,945	\$ 5,712,484

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds	\$ 338,985
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation	
Add: capital outlay	116,048
Subtract: depreciation expense	(218,139)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add: principal payment on long-term liabilities	394,577
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Add: decrease in the accrual of compensated absences	<u>12,045</u>
Change in net assets of governmental activities	<u><u>\$ 643,516</u></u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property taxes	\$ 2,034,300	\$ 2,034,300	\$ 2,003,402	\$ (30,898)
Licenses and permits	208,000	108,000	108,735	735
Intergovernmental - State	962,928	912,928	968,033	55,105
Charges for services	34,000	34,000	6,579	(27,421)
Interest and rent	306,500	306,500	460,844	154,344
Total revenues	<u>3,545,728</u>	<u>3,395,728</u>	<u>3,547,593</u>	<u>151,865</u>
Expenditures				
General government	1,015,062	1,262,374	1,017,856	(244,518)
Public safety	1,257,685	1,407,685	1,306,970	(100,715)
Public works	80,000	80,000	69,679	(10,321)
Capital outlay	45,000	45,000	23,288	(21,712)
Health and welfare	116,000	186,000	153,661	(32,339)
Other	938,000	938,000	684,448	(253,552)
Total expenditures	<u>3,451,747</u>	<u>3,919,059</u>	<u>3,255,902</u>	<u>(663,157)</u>
Revenue over (under) expenditures	93,981	(523,331)	291,691	815,022
Other financing sources (uses)				
Transfers (out)	<u>(125,000)</u>	<u>(185,000)</u>	<u>(164,305)</u>	<u>20,695</u>
Net change in fund balance	(31,019)	(708,331)	127,386	835,717
Fund balances, beginning of year	<u>2,976,394</u>	<u>2,581,394</u>	<u>3,419,710</u>	<u>838,316</u>
Fund balances, end of year	<u>\$ 2,945,375</u>	<u>\$ 1,873,063</u>	<u>\$ 3,547,096</u>	<u>\$ 1,674,033</u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FIRE PROTECTION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property taxes	\$ 1,241,011	\$ 1,241,011	\$ 1,220,865	\$ (20,146)
Interest	40,000	35,000	65,135	30,135
Total revenues	<u>1,281,011</u>	<u>1,276,011</u>	<u>1,286,000</u>	<u>9,989</u>
Expenditures				
Public safety:				
Salaries and wages	200,000	200,000	195,994	(4,006)
Contractual services	1,042,005	1,042,005	1,042,005	-
Supplies	2,000	2,000	1,460	(540)
Telephone	2,000	2,000	2,037	37
Public utilities	24,000	24,000	19,648	(4,352)
Repairs and maintenance	23,500	23,500	28,456	4,956
Miscellaneous	5,000	5,000	2,625	(2,375)
Capital outlay	10,000	10,000	520	(9,480)
Total expenditures	<u>1,308,505</u>	<u>1,308,505</u>	<u>1,292,745</u>	<u>(15,760)</u>
Net change in fund balances	(27,494)	(32,494)	(6,745)	25,749
Fund balances, beginning of year	<u>827,413</u>	<u>777,413</u>	<u>875,188</u>	<u>97,775</u>
Fund balances, end of year	<u>\$ 799,919</u>	<u>\$ 744,919</u>	<u>\$ 868,443</u>	<u>\$ 123,524</u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007**

<u>Assets</u>	<u>Water/Sewer Enterprise Fund</u>
Current assets	
Cash and cash equivalents	\$ 7,102,447
Investments	2,256,357
Accounts receivable - net	318,448
Special assessment receivable	206,465
Due from other governments	186,000
Interest receivable	6,964
Bond origination costs, net of amortization	45,881
	<hr/>
Total current assets	10,122,562
	<hr/>
Capital assets	
Non depreciable assets	102,927
Property, plant and equipment	53,548,758
Less accumulated depreciation	(15,526,703)
	<hr/>
Total capital assets	38,124,982
	<hr/>
Total assets	48,247,544
	<hr/>
<u>Liabilities</u>	
Current liabilities	
Accounts payable	155,023
Current portion of long-term debt	575,000
Due to other funds	6,902
	<hr/>
Total current liabilities	736,925
	<hr/>
Long-term liabilities	
Long-term debt	7,497,000
Discount on bonds	(56,593)
	<hr/>
Total long-term liabilities	7,440,407
	<hr/>
Total liabilities	8,177,332
	<hr/>
Net assets	
Invested in capital assets, net of related debt	30,052,982
Restricted for debt service	1,783,479
Unrestricted	8,233,751
	<hr/>
Total net assets	\$ 40,070,212
	<hr/>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP  
STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Water/Sewer Enterprise Fund</u>
Operating revenues	
Charges for services	\$ 3,952,695
Interest earned on special assessments	16,353
Other	<u>366,399</u>
Total operating revenues	<u>4,335,447</u>
Operating expenses	
Contractual services	2,145,637
Joint venture contractual payments	806,475
Depreciation	<u>1,054,266</u>
Total operating expenses	<u>4,006,378</u>
Operating income	<u>329,069</u>
Nonoperating revenues (expenses)	
Interest revenue	425,384
Interest and fees expense	<u>(560,742)</u>
	<u>(135,358)</u>
Income before contributions	193,711
Contributed capital	<u>1,838,972</u>
Changes in net assets	2,032,683
Net assets, beginning of year	<u>38,037,529</u>
Net assets, end of year	<u><u>\$ 40,070,212</u></u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Water/Sewer Enterprise Fund
Cash flows from operating activities	
Cash received from customers	\$ 4,228,255
Cash paid for interfund services	(10,635)
Cash payments to suppliers for goods and services	(2,928,314)
	<hr/>
Net cash provided by operating activities	1,289,306
	<hr/>
Cash flows from capital and related financing activities	
Capital contributions	1,838,972
Acquisition of capital assets	(1,867,142)
Principal paid on long-term debt	(550,000)
Interest and fiscal charges paid on long-term debt	(550,109)
	<hr/>
Net cash (used) by capital and related financing activities	(1,128,279)
	<hr/>
Cash flows from investing activities	
Sales of investments	949,245
Interest on investments	426,612
	<hr/>
Net cash provided by investing activities	1,375,857
	<hr/>
Net increase in cash and cash equivalents	1,536,884
Cash and cash equivalents, beginning of year	5,565,563
	<hr/>
Cash and cash equivalents, end of year	\$ 7,102,447
	<hr/> <hr/>
Cash flows from operating activities	
Operating income	\$ 329,069
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,054,266
(Increase) decrease in assets:	
Accounts receivable	(107,192)
Due from other funds	15,600
Increase (decrease) in liabilities:	
Accounts payable	23,798
Due to other funds	(26,235)
	<hr/>
Net cash provided by operating activities	\$ 1,289,306
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.



**GARFIELD CHARTER TOWNSHIP  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2007**

Assets

Cash and cash equivalents	<u>\$ 1,709,101</u>
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Liabilities

Accounts payable	<u>\$ 1,709,101</u>
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The accompanying notes are an integral part of these financial statements.

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of *Garfield Charter Township* (the “Township”), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

#### A. FINANCIAL REPORTING ENTITY

*Garfield Charter Township* was incorporated as a charter township in 1976 and is located in Grand Traverse County, Michigan. The Township’s basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township’s reporting entity, as set forth in GASB No. 14, “*The Financial Reporting Entity*” includes oversight responsibility, fiscal dependency and whether the financial statement would be misleading if data were not included. Based on the aforementioned criteria, there are no other organizations included in these financial statements.

**Water and Sewer System Operations** – The Grand Traverse County Board of Public Works operates, maintains and administers the Township’s sewage disposal and water systems. The original construction and subsequent extensions were administered by the county and financed in part through bonds backed by the full faith and credit pledges of the Township.

The County DPW collects all user fees which are remitted to the Township, accounts for direct and allocated operating expenses which are billed to and paid by the Township, remits debt payments and maintains capital project and debt service funds. The Township’s administration reviews DPW operations on behalf of the Township, establishes special assessment districts, approves of construction expenditures, collects special assessment levies, which are remitted to the County for debt retirement, and maintains the special assessment rolls.

The arrangements between the County and Township were established to enable more favorable interest rates and borrowing limits and to achieve overall efficiency in operating these public services to the community. The County is acting as an agent for the Township and the Township retains significant control and responsibility over operations of the sewer and water systems.

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement – based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire protection fund* accounts for the separate voted millage and related operation of the fire department.

The government reports the following major proprietary fund:

The *water / sewer fund* accounts for the activities of the government's water distribution system and sewage disposal and treatment system.

Additionally, the Township reports the following fund types:

*Agency funds* are use to account for assets held for other governments in an agency capacity, including tax collections.

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

# **GARFIELD CHARTER TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

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### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. DEPOSITS AND INVESTMENTS**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

#### **2. RECEIVABLES AND PAYABLES**

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### **3. PREPAIDS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

# **GARFIELD CHARTER TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

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### **4. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and water and sewer systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u><b>Assets</b></u>	<u><b>Years</b></u>
Sewer and Water Systems	50-75
Buildings	30-60
Building Improvements	10-30
Vehicles	3-10
Office Furniture and Computer Equipment	3-10

### **5. LONG-TERM OBLIGATIONS**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# **GARFIELD CHARTER TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **6. FUND EQUITY**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTIBILITY**

### **A. BUDGETS AND BUDGETARY ACCOUNTING**

Comparisons to budget are presented for the General Fund and Special Revenue Funds. The operating budget is adopted by activity for the General Fund and by activity for the Special Revenue funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Any revisions that alter the total expenditures of any fund must be approved by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board.



# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

### III.DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the basic financial statements to the Township's deposits and investments is as follows:

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 11,375,710
Investments	3,516,988
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>1,709,101</u>
Total	<u>\$ 16,601,799</u>
Deposits	\$ 13,084,661
Investments	3,516,988
Cash on hand	<u>150</u>
Total	<u>\$ 16,601,799</u>

The Township chooses to disclose its investments by specifically identifying each. As of year end, the Township had the following investments.

<u>Investments</u>	<u>Maturity In Years</u>	<u>Fair Value</u>	<u>Ratings</u>
U.S. Treasury	N/A	\$ 3,371,119	S&P AAA
MBIA Class accounts	N/A	<u>347,454</u>	Fitch AAA/V1+
		<u>\$ 3,516,988</u>	

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### **Investment and deposit risk:**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified below. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investment held at year end.

*Credit risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified below. The Township's investment policy does not have specific limits in excess of state law on investment credit. The ratings for each investment are identified above for investments held at year end.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$10,548,511 of the Township's bank balance of \$11,648,511 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. Of the investments listed above, there is not custodial credit risk as these investments are uncategorized as to credit risk.

*Concentration of credit risk.* State law limits allowable investments but does not limit concentration of credit risk as identified below. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the Township's investments are in U.S. Treasury securities. All investments at year end are reported above.

The Township is authorized by statute to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ In banker's acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

### B. RECEIVABLES

Receivables in the primary government are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Taxes	\$ 3,983,015	\$ -
Accounts	205,930	318,447
Special Assessments		
Due within one year	14,865	30,970
Due after one year	9,900	175,495
Interest	161	6,965
Intergovernmental		
Due within one year	297,694	186,000
Total	<u>\$ 4,511,565</u>	<u>\$ 717,877</u>

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated – Land	\$ 3,396,292	\$ -	\$ -	\$ 3,396,292
Capital assets being depreciated:				
Buildings and improvements	4,601,040	19,990	-	4,621,030
Vehicles	137,243	-	-	137,243
Equipment	<u>370,918</u>	<u>96,057</u>	-	<u>466,975</u>
Total capital assets being depreciated	<u>5,109,201</u>	<u>116,047</u>	-	<u>5,225,248</u>
Less accumulated depreciation				
Buildings and Improvements	(960,043)	(191,228)	-	(1,151,271)
Vehicles	(137,243)	-	-	(137,243)
Equipment	<u>(214,958)</u>	<u>(26,911)</u>	-	<u>(241,869)</u>
Total accumulated depreciation	<u>(1,312,244)</u>	<u>(218,139)</u>	-	<u>(1,530,383)</u>
Total capital assets being depreciated, net	<u>3,796,957</u>	<u>(102,092)</u>	-	<u>3,694,865</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 7,193,249</u>	<u>\$(102,092)</u>	<u>\$ -</u>	<u>\$7,091,157</u>

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 102,927	\$ -	\$ -	\$ 102,927
Total capital assets not being depreciated	<u>102,927</u>	<u>-</u>	<u>-</u>	<u>102,927</u>
Capital assets being depreciated:				
Sewer and Water Systems	<u>51,681,616</u>	<u>1,867,142</u>	<u>-</u>	<u>53,548,758</u>
Less accumulated depreciation				
Sewer and Water Systems	<u>(14,472,437)</u>	<u>(1,054,266)</u>	<u>-</u>	<u>(15,526,703)</u>
Total capital assets being depreciated, net	<u>37,209,179</u>	<u>812,876</u>	<u>-</u>	<u>38,022,055</u>
<b>Business-type activities capital assets, net</b>	<u>\$37,312,106</u>	<u>\$ 812,876</u>	<u>\$ -</u>	<u>\$ 38,124,982</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 106,091
Public safety	46,918
Recreation and culture	<u>65,130</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 218,139</u></b>

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### D. LONG-TERM DEBT

A summary of bond and contract transactions for the year ended December 31, 2007, follows:

Sewer revenue contracts are supported by revenues of the Water / Sewer Fund. The Township has no general obligation debt that can be levied on the annual property tax bills.

Debt payable at December 31, 2007 is comprised of the following individual issues:

#### REVENUE CONTRACTS :

<u>\$1,050,000 1989 Grand Traverse County Water Supply and Sewage Disposal System</u> due in annual installments of \$75,000 through November 1, 2009, with interest at 6.85%.	\$ 150,000
<u>\$1,270,000, 1992 Water Supply and Sewage Disposal System</u> due in annual installments of \$75,000 to \$90,000 through November 1, 2011, with interest at 5.50%.	\$ 345,000
<u>\$365,000, 1997 Garfield Township Special Assessment Sewer Bonds</u> due in annual installments of \$25,000 to \$30,000 through November 1, 2011, with interest at 5.05% - 5.30%.	105,000
<u>\$180,000 1997 Garfield Township General Obligation Sewer Bonds</u> due in annual installments of \$15,000 through November 1, 2011, with interest at 5.05% - 5.30%.	60,000

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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\$8,675,000, 2002 Water and Sewer System Improvements Projects due in annual installments of \$340,000 to \$660,000 through November 1, 2021 with interest at 3.75% - 5.00%. 6,800,000

\$672,000, 2005 Water and Sewer System Improvements Projects due in annual installments of \$20,000 to \$50,000 through November 1, 2024, with interest at 3.00% - 4.375% 612,000

\$1,500,000, Installment Note Payable due to the bank in monthly installments of \$14,671.81 through December 13, 2012, with interest at 3.27%. 813,512

\$2,500,000, Limited Tax General Obligation Note Payable due to the bank in monthly installments of \$24,662.95 through December 1, 2013 with interest at 3.45% \$ 1,246,697

\$ 10,132,209

# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

For the governmental activities, compensated absences are generally liquidated by the general fund.

Annual debt service requirements to maturity for contracts and notes payable are as follows:

<b>Year ending December 31,</b>	Governmental	Activities	Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$379,531	\$75,685	\$575,000	\$403,263
2009	409,942	62,075	595,000	376,265
2010	424,020	47,997	540,000	348,178
2011	438,581	33,436	565,000	323,964
2012	408,135	23,831	450,000	267,466
2013-17	-	5457	2,600,000	1,026,658
2018-21	-	-	2,647,000	354,261
2012-24	-	-	100,000	6,550
Total	<u>\$ 2,060,209</u>	<u>\$ 248,481</u>	<u>\$ 8,072,000</u>	<u>\$ 3,106,605</u>

### E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund receivables and payables as of December 31, 2007, is as follows:

<b>Due from</b>	<b>Due to</b>		
	General Fund	Nonmajor Govt. funds	Total
Nonmajor govt. funds	2,978	-	2,978
Water / Sewer fund	6,902	6,160	6,902
Total	<u>\$ 9,880</u>	<u>\$ 6,160</u>	<u>\$ 9,880</u>

The interfund receivable and payable between the General fund and the Water/Sewer fund is for legal services originally expensed in the General fund. The interfund receivable and payable between the General fund and the Street Lighting fund is to cover the monthly street light expenses. The interfund receivable and payable between the Water/Sewer fund and the Fire fund is the annual amount owed for fire hydrants.



# GARFIELD CHARTER TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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Interfund transfers for the year ended December 31, 2007, are as follows:

		<u>Transfer in</u>	
	Public	Park	
	Improvement	System	Total
<b>Transfer out:</b>			
General Fund	<u>\$ 50,000</u>	<u>\$ 114,305</u>	<u>\$ 164,305</u>

The interfund transfer from the General fund to the Public Improvement fund was for the General fund's share of the expenditures related to various road repairs. The interfund transfer from the General Fund to the Park System fund is for general operating expenses related to the parks.

### IV. OTHER INFORMATION

#### A. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Grand Traverse County and the school districts within the Township boundaries.

Real property taxes not collected as of March 1 are turned over to Grand Traverse County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

#### B. PENSION PLANS

##### Defined Contribution Pension Plan

The Township participates in a defined contribution pension plan for Michigan Township employees under contract with the John Hancock Life Insurance Company to provide benefits at retirement to eligible employees.

Eligible employees are those who have attained the age of 18 and not more than 75, have been employed for the Township for more than 90 days and are elected officials or full-time employees working 37 hours or more per week.

# **GARFIELD CHARTER TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

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The Township pays 100% of the required annual contribution, which amounts to 10% of annual compensation. Compensation is determined by the basic annual rate of compensation in effect at the beginning of the plan year. Eligible employees may make voluntary contributions through payroll withholdings in amounts ranging from one to ten percent of compensation.

All contributions are vested to the employee immediately upon early retirement, termination of services, death, disability or normal retirement at 100%.

Plan provisions and contribution requirements are established and may be amended by the Township Board.

During the year, the Township's required and actual contributions amounted to \$87,214 and employee contributions to the 401k Plan were \$16,763. Covered payroll for the year was \$803,307 with total payroll for all employees of \$843,105. The plan was funded at the required contribution amount.

### **C. POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note IV. B, effective January 2005 the Township provides postemployment benefits in accordance with a Township resolution. The Township makes monthly contributions, under an IRS Section 125 "cafeteria plan," for each retired employee in the amount of \$1,350 beginning in the month following the month within which the employee retires, until age 65 and \$850 from and after the month in which the retired employee attains age 65 until the month following the month in which such retired employee attains age 70. Currently one retiree met the retirement eligibility requirements. During the year, expenditures of \$134,129 were recognized for retiree health benefits in the general fund. The Township records the payment of these benefits as contribution into the Postemployment Health Benefits Agency fund whereby the disbursements directly to the retirees is accounted for.

# **GARFIELD CHARTER TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

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### **D. JOINT VENTURE**

The Township entered into a master sewer agreement effective July 1, 1987 through June 30, 2010, and supplemented July 1, 1993, August 13, 1998, and March 31, 2003, with the City of Traverse City, the Townships of Peninsula, East Bay, and Acme in Grand Traverse County, the Township of Elmwood in Leelanau County and with Grand Traverse County. This master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the Wastewater Treatment Plant. Grand Traverse County is the owner of the Treatment Plant and the City of Traverse City is the owner of all the multi-user facilities. Ownership of the Treatment Plant will revert to the City of Traverse City when certain bonds issued by the Grand Traverse County are retired.

The City of Traverse City is the exclusive manager of the plant for the benefit of itself and the Townships. As the exclusive manager, the City of Traverse City has the obligation to fully inform and advise the Townships as to the Treatment Plant's operations and the Townships shall have the right to comment on all matters connected with the administration of the plant. Prior to June 30, the City of Traverse City shall submit a proposed budget for the operations of the Treatment Plant for the year commencing July 1. The Townships have thirty days in which to comment on the proposed budget.

Each of the parties of the agreement is entitled to make use of a portion of the Treatment Plant's capacity as follows:

<u>Party</u>	<u>Capacity Right</u>
City of Traverse City	60.00%
Garfield Township	25.46
East Bay Township	2.78
Elmwood Township	2.73
Acme Township	8.17
Peninsula Township	<u>.86</u>
	<u>100%</u>

Each participant in the joint venture pays an amount sufficient to cover their pro rata share of the treatment plant costs. Each participant's pro rata share is determined by their volume of sewage treated in relation to total sewage treated at the plant. The principal amount paid in the current year for the Township was \$436,850 and the interest was \$369,625

# **GARFIELD CHARTER TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

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The Township is also liable for a portion of the Treatment Plant's debt. A portion of the liability is fixed and a portion is determined on a biannual basis based upon the amount of the Township's flows through the Treatment Plant. The Township's portion of Treatment Plant debt is estimated as follows:

<u>Year Ended December 31</u>	Principal	Interest
2008	\$ 451,089	\$ 354,127
2009	459,496	337,191
2010	488,874	318,667
2011	509,846	298,277
2012	536,993	276,248
2013-2017	2,676,292	1,106,694
2017-2021	<u>2,962,538</u>	<u>517,395</u>
Total	<u>\$ 8,085,128</u>	<u>\$ 3,208,599</u>

### **E. COMMITMENTS AND CONTINGENCIES**

In the normal course of operations, the Township becomes a party to various claims and lawsuits. In the opinion of the legal counsel and Township management, the ultimate resolution of such matters will not have a material effect on the financial position of the Township.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**

**GARFIELD CHARTER TOWNSHIP  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Taxes				
Current taxes	\$ 2,026,000	\$ 2,026,000	\$ 1,996,488	\$ (29,512)
Delinquent taxes	1,000	1,000	-	(1,000)
Swamp tax	40	40	40	-
Trailer park fees	6,760	6,760	6,874	114
Interest and penalties on delinquent taxes	500	500	-	(500)
Total taxes	2,034,300	2,034,300	2,003,402	(30,898)
Licenses and permits				
Building permits	200,000	100,000	101,390	1,390
Planning and zoning fees	7,000	7,000	7,345	345
Tax abatement fees	1,000	1,000	-	(1,000)
Total licenses and permits	208,000	108,000	108,735	735
Intergovernmental				
State grant	-	-	468	468
State shared revenues	949,928	899,928	937,365	37,437
State shared revenues-liquor law	13,000	13,000	30,200	17,200
Total intergovernmental - state	962,928	912,928	968,033	55,105
Charges for services				
Tax collection fees	29,000	29,000	-	(29,000)
Other	5,000	5,000	6,579	1,579
Total charges for services	34,000	34,000	6,579	(27,421)
Interest and rents				
Interest	175,000	175,000	283,430	108,430
Rent	5,000	5,000	6,600	1,600
Royalties	126,500	126,500	170,814	44,314
Total interest and rents	306,500	306,500	460,844	154,344
Total revenues	\$ 3,545,728	\$ 3,395,728	\$ 3,547,593	\$ 151,865

**GARFIELD CHARTER TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
General Government				
Township Board				
Salaries and wages	\$ 93,570	\$ 93,570	\$ 106,035	\$ 12,465
Supplies	29,000	29,000	21,275	(7,725)
Legal	150,000	150,000	201,308	51,308
Audit and accounting	15,000	15,000	18,405	3,405
Other contracted services	2,000	2,000	2,250	250
Printing and advertising	20,000	20,000	6,835	(13,165)
Mileage, travel, and education	2,500	2,500	1,191	(1,309)
Dues and publications	7,000	7,000	5,805	(1,195)
Other	-	120,000	-	(120,000)
Total Township Board	319,070	439,070	363,104	(75,966)
Township Supervisor and Assessor				
Salaries and wages	213,750	261,062	230,102	(30,960)
Supplies	4,500	4,500	3,706	(794)
Contracted services	10,000	10,000	4,481	(5,519)
Printing and advertising	2,300	2,300	1,223	(1,077)
Mileage and education	10,600	10,600	9,371	(1,229)
Dues and publications	2,000	12,000	1,848	(10,152)
Total Township Supervisor	243,150	300,462	250,731	(49,731)
Elections				
Salaries and wages	10,000	10,000	6,686	(3,314)
Supplies	6,500	6,500	(1,466)	(7,966)
Mileage, travel, and education	500	500	-	(500)
Repairs and maintenance	2,000	2,000	-	(2,000)
Printing and Publishing	500	500	115	(385)
Total Elections	19,500	19,500	5,335	(14,165)
Clerk				
Salaries and wages	129,143	129,143	141,723	12,580
Mileage and education	10,500	10,500	5,796	(4,704)
Dues and publications	500	500	265	(235)
Other	-	30,000	346	(29,654)
Total Clerk	140,143	170,143	148,130	(22,013)
Board of Review				
Salaries and wages	3,000	3,000	2,300	(700)
Mileage, travel, and education	100	100	-	(100)
Total Board of Review	3,100	3,100	2,300	(800)

(Continued)

**GARFIELD CHARTER TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Treasurer's Office				
Salaries and wages	\$ 105,349	\$ 105,349	\$ 104,429	\$ (920)
Supplies	10,000	10,000	4,787	(5,213)
Legal	750	750	2,040	1,290
Printing and publishing	1,100	1,100	1,882	782
Mileage and education	7,700	7,700	5,738	(1,962)
Dues and publications	200	200	190	(10)
Other	3,000	23,000	3,321	(19,679)
Total Treasurer's Office	128,099	148,099	122,387	(25,712)
Computer Support				
Supplies	5,000	5,000	4,483	(517)
Maintenance and support	40,000	40,000	14,273	(25,727)
Total Computer Support	45,000	45,000	18,756	(26,244)
Township Property				
Supplies	5,000	5,000	1,669	(3,331)
Telephone	16,000	16,000	14,744	(1,256)
Public utilities	46,000	46,000	36,527	(9,473)
Repairs and maintenance	50,000	70,000	54,173	(15,827)
Total Township Property	117,000	137,000	107,113	(29,887)
Total General Government	1,015,062	1,262,374	1,017,856	(244,518)
Public Safety				
Police Contract	770,660	770,660	770,660	-
Building Inspection				
Salaries and wages	159,520	159,520	162,945	3,425
Supplies	1,000	1,000	200	(800)
Mileage and education	16,500	16,500	9,020	(7,480)
Dues and publications	2,000	22,000	511	(21,489)
Total Building Inspection	179,020	199,020	172,676	(26,344)
Planning Commission				
Salaries and wages	14,000	14,000	12,200	(1,800)
Legal	35,000	105,000	91,629	(13,371)
Mileage and education	1,000	1,000	-	(1,000)
Printing and publishing	10,000	10,000	6,987	(3,013)
Contractual services	10,000	10,000	4,542	(5,458)
Dues and publications	250	250	400	150
Total Planning Commission	70,250	140,250	115,758	(24,492)



**GARFIELD CHARTER TOWNSHIP  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Township Planner				
Salaries and wages	\$ 105,630	\$ 105,630	\$ 108,334	\$ 2,704
Supplies	2,000	2,000	612	(1,388)
Mileage and education	6,500	6,500	4,834	(1,666)
Printing and publishing	3,000	3,000	5,054	2,054
Dues and publications	1,000	31,000	697	(30,303)
Total Township Planner	118,130	148,130	119,531	(28,599)
Zoning Board of Appeals:				
Salaries and wages	6,000	6,000	1,800	(4,200)
Mileage and education	500	500	-	(500)
Legal	5,000	5,000	6,880	1,880
Advertising	1,000	1,000	600	(400)
Total Zoning Board of Appeals	12,500	12,500	9,280	(3,220)
Zoning Administrator:				
Salaries and wages	101,510	101,510	115,145	13,635
Supplies	3,000	3,000	-	(3,000)
Mileage and education	2,515	2,515	3,920	1,405
Dues and publications	100	100	-	(100)
Other	-	30,000	-	(30,000)
Total Zoning Administrator	107,125	137,125	119,065	(18,060)
Total Public Safety	1,257,685	1,407,685	1,306,970	(100,715)
Health and Welfare				
Community promotions	116,000	186,000	153,661	(32,339)
Public Works				
Street lighting	80,000	80,000	69,679	(10,321)
Other				
Township vehicles	2,000	2,000	111	(1,889)
Miscellaneous	2,000	2,000	10	(1,990)
Employee benefits and insurance	934,000	934,000	684,327	(249,673)
Total Other	938,000	938,000	684,448	(253,552)
Contingency	25,000	25,000	-	(25,000)
Capital Outlay	45,000	45,000	23,288	(21,712)
Total Expenditures	\$ 3,451,747	\$ 3,919,059	\$ 3,255,902	\$ (688,157)

**GARFIELD CHARTER TOWNSHIP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2007**

<u>Assets</u>	Special Revenue Funds		
	Public Improvement	Budget Stabilization	Street Lighting
Cash and cash equivalents	\$ 103,606	\$ 77,561	\$ 32,561
Investments	-	-	-
Taxes receivable - current	-	-	-
Special assessments receivable - current	-	-	14,865
Special assessments receivable - delinquent	900	-	-
Special assessments receivable - deferred	9,000	-	-
Interest receivable	161	-	-
<u>Total Assets</u>	<u>\$ 113,667</u>	<u>\$ 77,561</u>	<u>\$ 47,426</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Due to other funds	-	-	2,978
Deferred revenue	9,000	-	18,251
Total Liabilities	9,000	-	21,229
Fund Balances			
Unreserved:			
Undesignated	104,667	77,561	26,197
Total Fund Balances	104,667	77,561	26,197
<u>Total Liabilities and Fund Balances</u>	<u>\$ 113,667</u>	<u>\$ 77,561</u>	<u>\$ 47,426</u>

Debt Service

	Public Works		Park System		Municipal Building		Total
\$	201,585	\$	248,743	\$	189,578	\$	853,634
	501,875		-		-		501,875
	-		352,028		352,029		704,057
	-		-		-		14,865
	-		-		-		900
	-		-		-		9,000
	-		-		-		161
\$	703,460	\$	600,771	\$	541,607	\$	2,084,492

	-		-		-		2,978
	-		378,659		378,659		784,569
	-		378,659		378,659		787,547

	703,460		222,112		162,948		1,296,945
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	703,460		222,112		162,948		1,296,945
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\$	703,460	\$	600,771	\$	541,607	\$	2,084,492
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**GARFIELD CHARTER TOWNSHIP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Special Revenue Funds		
	Public Improvement	Budget Stabilization	Street Lighting
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments	9,969	-	18,250
Interest	1,253	-	223
Miscellaneous	212	-	-
Total Revenues	11,434	-	18,473
Expenditures			
Current:			
Public works	-	-	17,803
Culture and recreation	-	-	-
Capital outlay	72,250	-	-
Debt service:			
Principal	-	-	-
Interest expense	138	-	-
Total Expenditures	72,388	-	17,803
Revenues Over (Under) Expenditures	(60,954)	-	670
Other Financing Sources			
Transfers in	50,000	-	-
Net change in fund balances	(10,954)	-	670
Fund balances, beginning of year	115,621	77,561	25,527
Fund balances, end of year	\$ 104,667	\$ 77,561	\$ 26,197

Debt Service

	Public Works	Park System	Municipal Building	Total
\$	-	\$ 352,196	\$ 352,196	\$ 704,392
	-	-	-	28,219
	42,428	-	-	43,904
	-	-	-	212
	42,428	352,196	352,196	776,727
	-	-	-	17,803
	-	140,489	-	140,489
	-	19,990	-	92,240
	-	146,444	248,133	394,577
	-	29,618	47,823	77,579
	-	336,541	295,956	722,688
	42,428	15,655	56,240	54,039
	-	114,305	-	164,305
	42,428	129,960	56,240	218,344
	661,032	92,152	106,708	1,078,601
\$	703,460	\$ 222,112	\$ 162,948	\$ 1,296,945

**GARFIELD CHARTER TOWNSHIP  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PUBLIC IMPROVEMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Special assessments	\$ 5,050	\$ 5,050	\$ 9,969	\$ 4,919
Interest	1,000	1,000	1,253	253
Miscellaneous revenue	10,000	-	212	212
Total Revenues	16,050	6,050	11,434	5,384
Expenditures				
Road construction	50,000	100,000	72,250	(27,750)
Debt service				
Interest expense	50	150	138	(12)
Total Expenditures	50,050	100,150	72,388	(27,762)
Revenues Over (Under) Expenditures	(34,000)	(94,100)	(60,954)	33,146
Other Financing Sources				
Transfers in	50,000	50,000	50,000	-
Net change in fund balances	16,000	(44,100)	(10,954)	33,146
Fund balances, beginning of year	167,250	9,690	115,621	105,931
Fund balances, end of year	\$ 183,250	\$ (34,410)	\$ 104,667	\$ 139,077

**GARFIELD CHARTER TOWNSHIP  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
BUDGET STABILIZATION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Interest	-	-	-	-
Expenditures				
Total Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	77,561	77,561	77,561	-
Fund Balances, End of Year	\$ 77,561	\$ 77,561	\$ 77,561	\$ -

**GARFIELD CHARTER TOWNSHIP  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
STREET LIGHTING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Special assessments	\$ 16,500	\$ 16,500	\$ 18,250	\$ 1,750
Interest	-	-	223	223
Total Revenues	16,500	16,500	18,473	1,973
Expenditures				
Public works	16,000	19,000	17,803	(1,197)
Net Change in Fund Balances	500	(2,500)	670	3,170
Fund Balances, Beginning of Year	28,382	25,132	25,527	395
Fund Balances, End of Year	<u>\$ 28,882</u>	<u>\$ 22,632</u>	<u>\$ 26,197</u>	<u>\$ 3,565</u>



**GARFIELD CHARTER TOWNSHIP  
COMBINING BALANCE SHEET  
AGENCY FUNDS  
DECEMBER 31, 2007**

	Trust and Agency	Flexible Medical Insurance	Tax Collections	Postemployment Health Benefits	Total
Assets					
Cash and cash equivalents	\$ 6,322	\$ 3,413	\$ 1,222,168	\$ 477,198	\$ 1,709,101
Liabilities					
Accounts payable	\$ 6,322	\$ 3,413	\$ 1,222,168	\$ 477,198	\$ 1,709,101



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

June 26, 2008

Members of the Township Board  
Garfield Charter Township  
Traverse City, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ***Garfield Charter Township***, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents and have issued our report thereon dated June 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered ***Garfield Charter Township's*** internal control over financial reporting in as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Garfield Charter Township's*** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ***Garfield Charter Township's*** internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

#### General Accounting Issues and Preparation of Financial Statements in Accordance with GAAP

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

**Cause:** This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of Responsible Officials:** The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *Garfield Charter Township's*, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of *Garfield Charter Township* in a separate letter dated June 26, 2008.

Garfield Charter Township's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Garfield Charter Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

June 26, 2008

To the members of the Township Board  
Charter Township of Garfield

We have audited the basic financial statements of *Charter Township of Garfield* for the year ended December 31, 2007, and have issued our report thereon dated June 26, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated February 18, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of *Charter Township of Garfield*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of *Charter Township of Garfield's* compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 18, 2008.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by ***Charter Township of Garfield*** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statements may be affected by unusual transactions, including nonrecurring transactions.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Adjustments*

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has recorded all such adjustments to the Township's accounting records. In addition, none of the adjustments detected as a result of audit procedures and recorded by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 26, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the ***Charter Township of Garfield*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, prominent 'L' at the beginning.



# **Charter Township of Garfield**

## **Comments and Recommendations**

**For the Year Ended December 31, 2007**

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In planning and performing our audit of the financial statements of *Charter Township of Garfield* as of and for the year ended **December 31, 2007**, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The items listed below under the paragraph titled "Other Matters" summarize our comments and suggestions regarding these matters. A separate report dated June 26, 2008, contains our report on significant deficiencies in the Township's internal control. This letter does not affect our report dated June 26, 2008, on the financial statements of the *Charter Township of Garfield*.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We do not consider either of the issues mentioned below to be either a significant deficiency nor a material weakness.

# **Charter Township of Garfield**

## **Comments and Recommendations**

**For the Year Ended December 31, 2007**

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### **Other Matters**

#### **Item A**

#### **GASB Statement Numbers 43 & 45, Regarding Post-Employment Benefits Other than Pensions**

GASB Statement Number 43 will first be effective for the Township's fiscal year ended December 31, 2007. Generally, the provisions of this statement will require the Township to have a valuation performed of its post-employment benefits (other than pensions). GASB Statement Number 45 will first be effective for the Township's fiscal year ended December 31, 2008 and will generally recommend that the Township make contributions into a separate legal trust account to fund for those benefits.

#### **Recommendation:**

The Township has already determined its estimated liability using internal resources and have provided for this liability in its financial statements. We recommend that the Township annually evaluate the liability for its post-employment benefits and provide for contributions in future budgets. Further, we recommend that the Township establish a legal trust account for the administration of these post-retirement benefits.

#### **Item B**

#### **Information System Review**

In performing the audit for this year we noticed that not all of the modules of Fund Balance are being used with the General Ledger module. In particular, we noted that the cash receipting system is not being used which causes all cash receipts entered into the general ledger to be done manually and are dependent on a single employee (Accountant) for all posting of transactions.

#### **Recommendation:**

We recommend that the Township contract with their software vendors such as Fund Balance and BS&A to perform a system evaluation of the current setup and to offer any suggestions on how to automate the information systems in place at the Township.

## **Charter Township of Garfield**

### **Comments and Recommendations**

**For the Year Ended December 31, 2007**

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We will review the status of the above comment during our next audit engagement. We have already discussed the comments with Township personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or to assist you in implementing the recommendations.

\* \* \* \* \*